

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Charter Township of Comstock	County Kalamazoo
Fiscal Year End December 31, 2007	Opinion Date April 18, 2008	Date Audit Report Submitted to State May 12, 2008	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

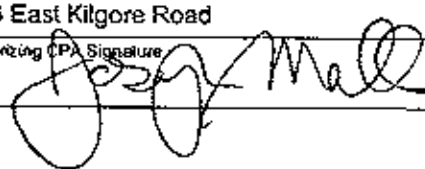
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations)

YES NO Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☒ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:		Enclosed	Not Required (enter a brief justification)	
Financial Statements		<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations		<input type="checkbox"/>	None	
Other (Describe)		<input checked="" type="checkbox"/>	SAS 112/114 Letter	
Certified Public Accountant (Firm Name) Siegfried Crandall PC		Telephone Number (269)381-4970		
Street Address 246 East Kilgore Road		City Kalamazoo	State MI	Zip 49002
Authorizing CPA Signature 		Printed Name Joseph M. Walls		License Number 1101013696

Charter Township of Comstock
Kalamazoo County, Michigan
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
Year ended December 31, 2007

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INDEPENDENT AUDITORS' REPORT

Township Board
Charter Township of Comstock, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Comstock, Michigan, as of December 31, 2007, and for the year then ended, which collectively comprise the Charter Township of Comstock, Michigan's financial statements, as listed in the contents. These financial statements are the responsibility of the Charter Township of Comstock, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Comstock, Michigan, as of December 31, 2007, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

The budgetary comparison schedules, as listed in the contents, are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



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Township Board
Charter Township of Comstock, Michigan
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The Charter Township of Comstock, Michigan has not presented the management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the financial statements.

Our audit was conducted for the purpose of forming opinions on the basic financial statements that collectively comprise Charter Township of Comstock, Michigan's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Sigfried Crandall P.C.

April 18, 2008

BASIC FINANCIAL STATEMENTS

Charter Township of Comstock
STATEMENT OF NET ASSETS
December 31, 2007

	<i>Primary government</i>		
	<i>Governmental activities</i>	<i>Business-type activities</i>	<i>Totals</i>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 5,590,339	\$ 7,496	\$ 5,597,835
Receivables, net	<u>2,144,795</u>	<u>-</u>	<u>2,144,795</u>
Total current assets	<u>7,735,134</u>	<u>7,496</u>	<u>7,742,630</u>
Noncurrent assets:			
Receivables, net	636,154	-	636,154
Deferred charges	24,631	-	24,631
Capital assets not being depreciated	452,015	-	452,015
Capital assets, net of accumulated depreciation	<u>13,346,190</u>	<u>8,000</u>	<u>13,354,190</u>
Total noncurrent assets	<u>14,458,990</u>	<u>8,000</u>	<u>14,466,990</u>
Total assets	<u>22,194,124</u>	<u>15,496</u>	<u>22,209,620</u>
LIABILITIES			
Current liabilities:			
Payables	196,806	11,483	208,289
Deferred revenue	2,980,146	-	2,980,146
Current portion of long-term obligations	<u>260,000</u>	<u>-</u>	<u>260,000</u>
Total current liabilities	<u>3,436,952</u>	<u>11,483</u>	<u>3,448,435</u>
Noncurrent liabilities - long-term obligations	<u>1,819,451</u>	<u>-</u>	<u>1,819,451</u>
Total liabilities	<u>5,256,403</u>	<u>11,483</u>	<u>5,267,886</u>
NET ASSETS			
Invested in capital assets, net of related debt	11,743,385	8,000	11,751,385
Restricted for:			
Public safety	1,257,552	-	1,257,552
Public works	1,519	-	1,519
Health and welfare	15,508	-	15,508
Recreation and culture	706,252	-	706,252
Debt service	765,710	-	765,710
Unrestricted	<u>2,447,795</u>	<u>(3,987)</u>	<u>2,443,808</u>
Total net assets	<u>\$ 16,937,721</u>	<u>\$ 4,013</u>	<u>\$ 16,941,734</u>

See notes to the financial statements

Charter Township of Comstock
STATEMENT OF ACTIVITIES
Year ended December 31, 2007

Functions/Programs	<u>Expenses</u>	<u>Program revenues</u>		
		<u>Charges for services</u>	<u>Operating grants and contributions</u>	<u>Capital grants and contributions</u>
Governmental activities:				
Legislative	\$ 23,879	\$ -	\$ -	\$ -
General government	1,006,000	207,089	-	-
Public safety	1,602,864	1,292,883	8,093	85,190
Public works	620,762	229,574	10,057	205,350
Community and economic development	48,751	29,815	-	-
Health and welfare	322,380	34,521	-	-
Culture and recreation	869,061	111,045	46,738	-
Interest on long-term debt	96,099	27,614	-	-
Total governmental activities	4,589,796	1,932,541	64,888	290,540
Business-type activity:				
Building inspection	171,599	159,927	-	-
Totals	\$ 4,761,395	\$ 2,092,468	\$ 64,888	\$ 290,540

General revenues:

Property taxes
Franchise fees
State grants
Investment income
Contributions
Other

Total general revenues

Changes in net assets

Net assets - beginning

Net assets - ending

Net (expenses) revenues and changes in net assets

<i>Governmental activities</i>	<i>Business-type activities</i>	<i>Totals</i>
\$ (23,879)		\$ (23,879)
(798,911)		(798,911)
(216,698)		(216,698)
(175,781)		(175,781)
(18,936)		(18,936)
(287,859)		(287,859)
(711,278)		(711,278)
<u>(68,485)</u>		<u>(68,485)</u>
(2,301,827)		(2,301,827)
<u>-</u>	\$ <u>(11,672)</u>	<u>(11,672)</u>
<u>(2,301,827)</u>	<u>(11,672)</u>	<u>(2,313,499)</u>
1,377,346	-	1,377,346
75,592	-	75,592
1,042,592	-	1,042,592
291,297	-	291,297
3,208	-	3,208
<u>8,317</u>	<u>-</u>	<u>8,317</u>
<u>2,798,352</u>	<u>-</u>	<u>2,798,352</u>
496,525	(11,672)	484,853
<u>16,441,196</u>	<u>15,685</u>	<u>16,456,881</u>
<u>\$ 16,937,721</u>	<u>\$ 4,013</u>	<u>\$ 16,941,734</u>

See notes to the financial statements

Charter Township of Comstock
BALANCE SHEET - governmental funds
December 31, 2007

	<u>General</u>	<u>Fire Operating</u>	<u>Fire Capital</u>	<u>Library</u>
ASSETS				
Cash	\$ 710,836	\$ 891,653	\$ 1,069,493	\$ 1,053,422
Receivables, net	<u>784,337</u>	<u>572,836</u>	<u>114,557</u>	<u>407,860</u>
Total assets	<u>\$ 1,495,173</u>	<u>\$ 1,464,489</u>	<u>\$ 1,184,050</u>	<u>\$ 1,461,282</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Payables	\$ 79,686	\$ 46,884	\$ 2,799	\$ 25,989
Deferred revenue	<u>724,600</u>	<u>1,117,770</u>	<u>223,534</u>	<u>729,041</u>
Total liabilities	<u>804,286</u>	<u>1,164,654</u>	<u>226,333</u>	<u>755,030</u>
Fund balances:				
Unreserved	690,887	299,835	957,717	706,252
Unreserved, reported in nonmajor:				
Special revenue funds	-	-	-	-
Debt service funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>690,887</u>	<u>299,835</u>	<u>957,717</u>	<u>706,252</u>
Total liabilities and fund balances	<u>\$ 1,495,173</u>	<u>\$ 1,464,489</u>	<u>\$ 1,184,050</u>	<u>\$ 1,461,282</u>

Amounts reported for *governmental activities* in the statement of net assets (page 5) are different because:

Governmental fund balances

Capital assets used in *governmental activities* are not financial resources and, therefore, are not reported in the funds.

Interest related to special assessments receivable is not available to pay for the current period expenditures and, therefore, is not reported in the funds.

Deferred charges are not a current financial resource and, therefore, are not reported in the funds.

Long-term liabilities, including contracts payable, are not due and payable in the current period and, therefore, are not reported in the funds.

Special assessments receivable are not available to pay for the current period's expenditures and, therefore, are deferred in the funds

Interest related to long-term liabilities is not due and payable in the current period and, therefore, is not reported in the funds.

Net assets of *governmental activities*

<u>Sewer and Water Improvement</u>	<u>Nonmajor governmental funds</u>	<u>Total governmental funds</u>
\$ 1,393,459	\$ 471,476	\$ 5,590,339
335,671	554,188	2,769,449
<u>\$ 1,729,130</u>	<u>\$ 1,025,664</u>	<u>\$ 8,359,788</u>
\$ 27,413	\$ -	\$ 182,771
314,319	632,806	3,742,070
<u>341,732</u>	<u>632,806</u>	<u>3,924,841</u>
1,387,398	-	4,042,089
-	17,027	17,027
-	375,831	375,831
<u>1,387,398</u>	<u>392,858</u>	<u>4,434,947</u>
<u>\$ 1,729,130</u>	<u>\$ 1,025,664</u>	<u>\$ 8,359,788</u>
		\$ 4,434,947
		13,798,205
		11,500
		24,631
		(2,079,451)
		761,924
		<u>(14,036)</u>
		<u>\$ 16,937,721</u>

See notes to the financial statements

Charter Township of Comstock**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - governmental funds**

Year ended December 31, 2007

	<u>General</u>	<u>Fire Operating</u>	<u>Fire Capital</u>
REVENUES			
Taxes	\$ 687,856	\$ -	\$ -
Licenses and permits	76,322	-	-
Federal grants	-	85,190	-
State grants	1,041,208	-	-
Charges for services	388,580	-	-
Fines and forfeitures	9,161	-	-
Interest and rentals	65,902	36,200	54,821
Other	7,683	1,056,107	211,201
	<u>2,276,712</u>	<u>1,177,497</u>	<u>266,022</u>
Total revenues			
	<u>2,276,712</u>	<u>1,177,497</u>	<u>266,022</u>
EXPENDITURES			
Legislative	18,900	-	-
General government	946,539	-	-
Public safety	472,212	991,828	600
Public works	105,785	-	-
Community and economic development	48,751	-	-
Health and welfare	322,380	-	-
Culture and recreation	175,194	-	-
Capital outlay	20,783	176,774	19,931
Debt service:			
Principal	-	-	-
Interest	-	-	-
	<u>2,110,544</u>	<u>1,168,602</u>	<u>20,531</u>
Total expenditures			
	<u>2,110,544</u>	<u>1,168,602</u>	<u>20,531</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>166,168</u>	<u>8,895</u>	<u>245,491</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	(40,332)	-	-
	<u>(40,332)</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)			
	<u>(40,332)</u>	<u>-</u>	<u>-</u>
NET CHANGES IN FUND BALANCES	125,836	8,895	245,491
FUND BALANCES - BEGINNING	<u>565,051</u>	<u>290,940</u>	<u>712,226</u>
FUND BALANCES - ENDING	<u>\$ 690,887</u>	<u>\$ 299,835</u>	<u>\$ 957,717</u>

<u>Library</u>	<u>Sewer and Water Improvement</u>	<u>Nonmajor governmental funds</u>	<u>Total governmental funds</u>
\$ 689,490	\$ -	\$ -	\$ 1,377,346
-	-	-	76,322
-	-	-	85,190
30,483	-	-	1,071,691
4,043	199,742	-	592,365
44,686	-	-	53,847
41,401	102,502	48,276	349,102
13,447	85,819	264,648	1,638,905
<u>823,550</u>	<u>388,063</u>	<u>312,924</u>	<u>5,244,768</u>
4,979	-	-	23,879
-	-	-	946,539
-	-	-	1,464,640
-	234,652	187,520	527,957
-	-	-	48,751
-	-	-	322,380
662,603	-	-	837,797
13,790	-	-	231,278
-	-	265,000	265,000
-	-	89,381	89,381
<u>681,372</u>	<u>234,652</u>	<u>541,901</u>	<u>4,757,602</u>
<u>142,178</u>	<u>153,411</u>	<u>(228,977)</u>	<u>487,166</u>
30,332	-	61,856	92,188
-	(51,856)	-	(92,188)
<u>30,332</u>	<u>(51,856)</u>	<u>61,856</u>	<u>-</u>
172,510	101,555	(167,121)	487,166
<u>533,742</u>	<u>1,285,843</u>	<u>559,979</u>	<u>3,947,781</u>
<u>\$ 706,252</u>	<u>\$ 1,387,398</u>	<u>\$ 392,858</u>	<u>\$ 4,434,947</u>

See notes to the financial statements

Charter Township of Comstock

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - governmental funds (Continued)**

Year ended December 31, 2007

	<u>Total governmental funds</u>
Net change in fund balances - total governmental funds	\$ 487,166
Amounts reported for <i>governmental activities</i> in the statement of activities (page 6) are different because:	
Capital assets:	
Assets acquired	564,306
Provision for depreciation	(670,023)
Disposal of assets	(4,759)
Long-term debt - principal repayments	265,000
Changes in other assets/liabilities:	
Net decrease in accrued interest revenue	(2,000)
Net decrease in bond issuance costs	(10,206)
Net decrease in bond premium	1,890
Net decrease in accrued interest expense	1,598
Net decrease in deferred revenue	<u>(136,447)</u>
Change in net assets of <i>governmental activities</i>	<u>\$ 496,525</u>

See notes to the financial statements

Charter Township of Comstock
STATEMENT OF NET ASSETS - proprietary fund
December 31, 2007

	<u><i>Building Inspection</i></u>
ASSETS	
Current assets - cash	\$ 7,496
Noncurrent assets - capital assets, net of accumulated depreciation	<u>8,000</u>
Total assets	<u>15,496</u>
LIABILITIES	
Current liabilities - payables	<u>11,483</u>
NET ASSETS	
Investment in capital assets	8,000
Unrestricted deficit	<u>(3,987)</u>
Total net assets	<u>\$ 4,013</u>

See notes to the financial statements

Charter Township of Comstock
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
NET ASSETS - *proprietary fund*
Year ended December 31, 2007

	<u><i>Building Inspection</i></u>
OPERATING REVENUES	
Charges for services	\$ 159,927
OPERATING EXPENSES	
Personnel costs	136,062
Contracted services	28,575
Supplies	2,962
Depreciation	<u>4,000</u>
Total operating expenses	<u>171,599</u>
CHANGE IN NET ASSETS	(11,672)
NET ASSETS - BEGINNING	<u>15,685</u>
NET ASSETS - ENDING	<u>\$ 4,013</u>

See notes to the financial statements

Charter Township of Comstock
STATEMENT OF CASH FLOWS - proprietary fund
Year ended December 31, 2007

	<u><i>Building Inspection</i></u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 159,927
Payments to vendors and suppliers	(80,480)
Payments to employees	<u>(85,755)</u>
NET DECREASE IN CASH	(6,308)
CASH - BEGINNING	<u>13,804</u>
CASH - ENDING	<u><u>\$ 7,496</u></u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (11,672)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	4,000
Increase in payables	<u>1,364</u>
Net cash used in operating activities	<u><u>\$ (6,308)</u></u>

See notes to the financial statements

Charter Township of Comstock

STATEMENT OF FIDUCIARY NET ASSETS - Agency Fund

December 31, 2007

ASSETS

Cash	<u>\$ 2,351,523</u>
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LIABILITIES

Due to other governmental units	<u>\$ 2,351,523</u>
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See notes to the financial statements

Charter Township of Comstock
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the Charter Township of Comstock, Michigan (the Township), conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governmental units. The following is a summary of the significant accounting policies.

a) Reporting entity:

The accompanying financial statements present only the Township. There are no component units, entities for which the Township is considered to be financially accountable.

b) Government-wide and fund financial statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the Township. The effect of inter-fund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

c) Measurement focus, basis of accounting, and financial statement presentation:

The government-wide financial statements are reported using the economic resources, measurement focus, and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources, measurement focus, and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township generally considers revenues to be available if they are expected to be collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Charter Township of Comstock
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

c) Measurement focus, basis of accounting, and financial statement presentation (continued):

State grants, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessment receivables due within the current year is considered susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable only when cash is received by the government.

The Township reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund. Revenues are primarily derived from property taxes and state shared revenue.

The Fire Operating Fund accounts for the financial resources used for the operational costs of the Township fire protection. Revenues are primarily derived from special assessments.

The Fire Capital Outlay Fund accounts for the financial resources used for fire protection capital outlays. Revenues are primarily derived from special assessments.

The Library Fund accounts for the financial resources used for the operational costs of the Township's library. Revenues are primarily derived from property taxes.

The Sewer and Water Improvement Fund accounts for the financial resources used for the expansion, repairs, and maintenance of sewer and water lines in the Township. Revenues are primarily derived from connection fees.

The Township reports a single proprietary fund, Building Inspection Fund, which accounts for operations (1) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (2) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board (GASB). Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Township has elected not to follow subsequent private-sector standards.

Charter Township of Comstock
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

c) Measurement focus, basis of accounting, and financial statement presentation (continued):

The Township reports one fiduciary fund, the Agency Fund, which accounts for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

d) Assets, liabilities, and net assets or equity:

i) Bank deposits - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Pooled interest income is proportionately allocated to all funds.

ii) Receivables - In general, outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." No allowance for uncollectible accounts has been recorded as the Township considers all receivables to be fully collectible.

iii) Prepaid items - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

iv) Capital assets - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements.

Charter Township of Comstock
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

d) Assets, liabilities, and net assets or equity (continued):

iv) Capital assets (continued) - Capital assets other than infrastructure are defined by the government as assets with an initial individual cost of more than \$2,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Governments can elect to account for infrastructure assets either retroactively to June 15, 1980, or prospectively. The Township has elected to account for infrastructure assets prospectively, beginning January 1, 2004.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	20 - 40 years
Equipment	5 - 10 years
Vehicles	10 - 20 years
Infrastructure	20 - 50 years

v) Compensated absences - It is the Township's policy to permit employees to accumulate earned but unused sick pay benefits. A liability for unpaid accumulated sick leave has been recorded for the portion due to employees upon separation from service with the Township. Vested compensated absences are accrued when earned in the government-wide and proprietary fund financial statements.

vi) Fund equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

vii) Property tax revenue recognition - Property taxes are levied as of December 1 on property values assessed as of December 31 of the prior year. The billings are due on or before February 14, after which time the bill becomes delinquent and penalties and interest may be assessed by the Township. Property tax revenue is recognized in the year for which taxes have been levied and become available. The Township levy date is December 1, and, accordingly, the total levy is recognized as revenue in the subsequent year.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

Budgetary information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the Township's general and special revenue funds. The budget document presents information by fund, function, and department. The legal level of budgetary control adopted by the governing body is the functional level. All annual appropriations lapse at the end of the fiscal year.

Charter Township of Comstock
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued):

The following schedule sets forth the significant budget variation:

<u>Fund</u>	<u>Function</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance</u>
General	Transfer out -			
	Street Lighting Fund	\$ -	\$ 10,000	\$ (10,000)
Fire Operating	Capital outlay	48,800	176,774	(127,974)
Fire Capital	Capital outlay	-	19,931	(19,931)
Sewer and Water				
Improvement	Other financing uses	-	51,856	(51,856)
Street Lighting	Public works	182,000	183,120	(1,120)

NOTE 3 - CASH AND CASH EQUIVALENTS:

Cash as presented in the accompanying financial statements, consists of the following:

	<u>Govern- mental activities</u>	<u>Business- type activities</u>	<u>Fiduciary</u>	<u>Total</u>
Deposits	\$ 4,074,950	\$ 7,496	\$ 2,351,523	\$ 6,433,969
Investments	1,514,389	-	-	1,514,389
Cash on hand	<u>1,000</u>	<u>-</u>	<u>-</u>	<u>1,000</u>
Total cash	<u>\$ 5,590,339</u>	<u>\$ 7,496</u>	<u>\$ 2,351,523</u>	<u>\$ 7,949,358</u>

Deposits with financial institutions:

Deposits are carried at cost and are maintained at various financial institutions in the name of the Township. State statutes and the Township's investment policy authorize the Township to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations. The Township's deposits are in accordance with statutory authority.

Custodial credit risk is the risk that, in the event of the failure of a financial institution, the Township will not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not covered by federal depository insurance and are uncollateralized. At December 31, 2007, \$5,867,901 of the Township's bank balances of \$6,317,901 was exposed to custodial credit risk because it was uninsured and uncollateralized.

The Township believes that it is impractical to insure all bank deposits due to the amounts of the deposits and the limits of FDIC insurance. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the risk level of each institution. Only the institutions with an acceptable estimated risk level are used as depositories.

Charter Township of Comstock
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - CASH AND CASH EQUIVALENTS (Continued):

Investments:

State statutes and the Township's investment policy authorize the Township to invest in a) obligations of the U.S. Treasury, agencies, and instrumentalities; b) commercial paper rated within the two highest rate classifications, which mature not more than 270 days after the date of purchase; c) repurchase agreements, collateralized by U.S. governmental securities; d) bankers' acceptances; and e) mutual funds composed of otherwise legal investments. The Township's investments are carried at cost, which approximates fair market value. The Township's investments are in accordance with statutory authority. The Township's holdings consist of the following:

<u>Investment type</u>	<u>Carrying amount</u>	<u>Weighted average maturity (in years)</u>	<u>Rating</u>	<u>Rating Organization</u>
U.S. government and agency securities				
Federal Home Loan Bank	\$ <u>1,514,389</u>	3.12	AAA	Moody's/S&P

Custodial credit risk. Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, the Township will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. State statutes and the Township's investment policy do not contain requirements that would limit the exposure to custodial credit risk for investments. At year end, the following investment securities were uninsured and unregistered and held by the same broker-dealer (counterparty) that purchased the securities for the Township:

Interest rate risk. Interest rate risk is the risk that the value of an investment will decrease as a result of an increase in market interest rates. Generally, longer investment maturities generate more sensitivity to changes in an investment's fair value due to changes in market interest rates. The Township monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. The Township's investment policy has no specific limitations with respect to maturities of investments.

Credit risk. Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This risk is measured by the assignment of a rating by a nationally recognized statistical rating organization. Obligations of the U.S. Government are not considered to have credit risk.

Concentration of credit risk. State statutes and the Township's investment policy place no limitations on the amount that can be invested in any one issuer.

Charter Township of Comstock
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 4 - RECEIVABLES:

At December 31, 2007, the Township's receivables were as follows:

	<u>Accounts</u>	<u>Property taxes</u>	<u>Special assess- ments</u>	<u>Inter- govern- mental</u>	<u>Totals</u>
Governmental activities:					
General Fund	\$ 18,109	\$405,276	\$ -	\$360,952	\$ 784,337
Fire Operating Fund	-	-	572,836	-	572,836
Fire Capital Fund	-	-	114,557	-	114,557
Library Fund	-	-	407,860	-	407,860
Sewer and Water Improvement Fund	13,414	-	322,257	-	335,671
Nonmajor governmental funds	-	-	554,188	-	554,188
Total governmental activities	<u>\$ 31,523</u>	<u>\$405,276</u>	<u>\$ 1,971,698</u>	<u>\$ 360,952</u>	
Reconciliation of balances in fund financial statements to government-wide financial statements - accrued interest					<u>11,500</u>
					<u>\$ 2,780,949</u>
Noncurrent portion	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 636,154</u>	<u>\$ -</u>	<u>\$ 636,154</u>

All receivables are due considered to be fully collectible.

Charter Township of Comstock
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - CAPITAL ASSETS:

Capital asset activity for the year ended December 31, 2007, was as follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 290,226	\$ 40,318	\$ -	\$ 330,544
Construction in progress - building	-	19,931	-	19,931
Construction in progress - infrastructure	<u>143,370</u>	<u>101,540</u>	<u>(143,370)</u>	<u>101,540</u>
Total capital assets not being depreciated	<u>433,596</u>	<u>161,789</u>	<u>(143,370)</u>	<u>452,015</u>
Capital assets being depreciated:				
Buildings	3,223,793	17,274	-	3,241,067
Equipment	2,128,814	221,873	(86,757)	2,263,930
Vehicles	1,417,366	18,990	(20,849)	1,415,497
Infrastructure	<u>13,593,087</u>	<u>287,750</u>	<u>-</u>	<u>13,880,837</u>
Subtotal	<u>20,363,050</u>	<u>545,887</u>	<u>(107,606)</u>	<u>20,801,331</u>
Less accumulated depreciation for:				
Buildings and improvements	(1,556,478)	(77,588)	-	(1,634,066)
Equipment	(1,042,492)	(179,678)	83,735	(1,138,435)
Vehicles	(813,725)	(67,462)	19,112	(862,075)
Infrastructure	<u>(3,475,270)</u>	<u>(345,295)</u>	<u>-</u>	<u>(3,820,565)</u>
Subtotal	<u>(6,887,965)</u>	<u>(670,023)</u>	<u>102,847</u>	<u>(7,455,141)</u>
Total capital assets being depreciated, net	<u>13,475,085</u>	<u>(124,136)</u>	<u>(4,759)</u>	<u>13,346,190</u>
Governmental activities capital assets, net	<u>\$ 13,908,681</u>	<u>\$ 37,653</u>	<u>\$ (148,129)</u>	<u>\$ 13,798,205</u>
Business type activity:				
Vehicle	\$ 20,000	\$ -	\$ -	20,000
Less accumulated depreciation	<u>(8,000)</u>	<u>(4,000)</u>	<u>-</u>	<u>(12,000)</u>
Business-type activity capital assets, net	<u>\$ 12,000</u>	<u>\$ (4,000)</u>	<u>\$ -</u>	<u>\$ 8,000</u>

Charter Township of Comstock
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - CAPITAL ASSETS (Continued):

Depreciation expense was charged to governmental activities as follows:

General government	\$ 59,551
Public safety	120,448
Public works	358,726
Recreation and culture	<u>131,299</u>

Total governmental activities \$ 670,023

NOTE 6 - PAYABLES:

At December 31, 2007, the Township's payables were as follows:

	<u>Accounts</u>	<u>Payroll</u>	<u>Inter- govern- mental</u>	<u>Totals</u>
Governmental activities:				
General Fund	\$ 28,271	\$ 5,389	\$ 46,026	\$ 79,686
Fire Operating Fund	21,310	25,574	-	46,884
Fire Capital Fund	2,799	-	-	2,799
Library Fund	18,683	7,306	-	25,989
Sewer and Water Improvement Fund	15,295	-	12,118	27,413
Reconciliation of balances in fund financial statements to government-wide financial statements - accrued interest	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,035</u>
Total governmental activities	<u>\$ 86,358</u>	<u>\$ 38,269</u>	<u>\$ 58,144</u>	<u>\$ 196,806</u>
Business-type activities:				
Building Inspection	<u>\$ 3,671</u>	<u>\$ 7,812</u>	<u>\$ -</u>	<u>\$ 11,483</u>

NOTE 7 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS:

A summary of interfund transfers for the year ended December 31, 2007, is as follows:

<u>Fund</u>	<u>Transfers in</u>	<u>Fund</u>	<u>Transfers out</u>
Library	\$ 30,332	General	\$ 30,332
Street Lights	10,000	General	10,000
1993 Sewer Bond	<u>51,856</u>	Sewer and Water Improvement	<u>51,856</u>
	<u>\$ 92,188</u>		<u>\$ 92,188</u>

The transfer to the Library Fund represents the General Fund's shared of building maintenance cost incurred in the previous year.

Charter Township of Comstock
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 7 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (Continued):

The transfer to the Street Lighting Fund represents support sufficient to cover current lighting costs not covered by special assessments levied.

The transfer to the 1993 Sewer Bond Fund represents support sufficient to cover current debt service requirements.

NOTE 8 - PROPERTY TAXES:

The Township property tax is levied on each December 1 on the taxable valuation of property (as defined by State statutes) located in the Township as of the preceding December 31.

Although the Township 2007 ad valorem tax is levied and collectible on December 1, 2007, it is the Township's policy to recognize revenues from the current tax levy in the subsequent year when the proceeds of this levy are budgeted and made "available" for the financing of operations.

The 2007 taxable valuation of the Township totaled \$488,480,782 ad valorem taxes levied consisted of the following:

<i>Fund</i>	<i>Millage rate</i>	<i>Purpose</i>	<i>Taxes raised</i>
General	0.9764	General operations	\$ 470,290
Senior services	0.5000	Senior services programs	240,823
Library	1.4854	Library operations	715,472

This amount is recognized in the financial statements as taxes receivable, with an offsetting credit to deferred revenue. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

NOTE 9 - DEFERRED REVENUE:

Governmental funds report deferred revenues in connection with resources that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenues are as follows:

<i>Fund</i>	<i>Unearned</i>	<i>Unavailable</i>	<i>Totals</i>
Primary government:			
General	\$ 724,600	\$ -	\$ 724,600
Fire Operating	1,117,770	-	1,117,770
Fire Capital	223,534	-	223,534
Library	729,041	-	729,041
Sewer and Water Improvement	-	314,319	314,319
Nonmajor governmental funds	185,201	447,605	632,806
	<u>\$ 2,980,146</u>	<u>\$ 761,924</u>	<u>\$ 3,742,070</u>

Charter Township of Comstock
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 10 - LONG-TERM DEBT:

At December 31, 2007, long-term liabilities are comprised of the following individual issues:

Governmental activities:

Bonds payable:

\$1,295,000 2005 Limited Tax General Obligation Refunding Bonds;
 due in annual installments of \$155,000 to \$175,000 plus interest at
 2.5% to 3.5% through May 2013. \$ 970,000

\$2,100,000 1996 Limited Tax General Obligation Bonds; due in
 annual installments of \$100,000 to \$125,000 plus interest at 4.75%
 to 7.75% through May 2016. 1,100,000

Total bonds payable 2,070,000

Unamortized bond premium 9,451

Total governmental activities long-term obligations \$ 2,079,451

Long-term obligation activity for the year ended December 31, 2007, was as follows:

	<i>Beginning balance</i>	<i>Additions</i>	<i>Reductions</i>	<i>Ending balance</i>	<i>Amounts due within one year</i>
Governmental activities:					
2005 LTGO Refunding Bonds	\$ 1,135,000	\$ -	\$ (165,000)	\$ 970,000	\$ 160,000
1996 LTGO Bonds	1,200,000	-	(100,000)	1,100,000	100,000
Unamortized bond premium	<u>11,341</u>	-	<u>(1,890)</u>	<u>9,451</u>	-
Total governmental activities long-term obligations	<u>\$ 2,346,341</u>	<u>\$ -</u>	<u>\$ (266,890)</u>	<u>\$ 2,079,451</u>	<u>\$ 260,000</u>

At December 31, 2007, debt service requirements were as follows:

<i>Year ended December 31:</i>	<i>Governmental activities</i>	
	<i>Principal</i>	<i>Interest</i>
2008	260,000	79,438
2009	285,000	69,294
2010	280,000	58,438
2011	275,000	47,356
2012	300,000	35,732
2013 - 2016	<u>670,000</u>	<u>50,476</u>
Totals	<u>\$ 2,070,000</u>	<u>\$ 340,734</u>

Charter Township of Comstock
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 11 - RISK MANAGEMENT:

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The risks of loss arising from general liability up to \$7,000,000, property and casualty, and workers' compensation are managed through purchased commercial insurance.

NOTE 12 - DEFINED CONTRIBUTION PENSION PLAN:

The Township provides pension benefits for all of its full-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. Employees are eligible to participate at the date of employment. The Township contributes an amount equal to 13% of the employee's base salary each month. The Township's contributions for each employee (and interest allocated to the employee's account) are vested after six months of continuous service. The Township is not a trustee of the plan, nor is the Township responsible for investment management of plan assets.

The Township and eligible employees made the required contributions of \$109,552 and \$55,477, respectively, for the year ended December 31, 2007.

REQUIRED SUPPLEMENTARY INFORMATION

Charter Township of Comstock
BUDGETARY COMPARISON SCHEDULE - General Fund
Year ended December 31, 2007

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES:				
Taxes	\$ 694,597	\$ 694,597	\$ 687,856	\$ (6,741)
Licenses and permits - franchise fees	33,300	33,300	76,322	43,022
State grants:				
State shared revenues	1,033,000	1,033,000	1,023,058	(9,942)
Right of way fees	-	-	10,057	10,057
Liquor license fees	8,500	8,500	8,093	(407)
Total state grants	1,041,500	1,041,500	1,041,208	(292)
Charges for services:				
Tax collection fees	171,800	171,800	188,987	17,187
Utility surcharges	20,000	20,000	20,000	-
Planning and zoning fees	29,650	29,650	29,815	165
Solid waste compactor fees	37,700	37,700	34,521	(3,179)
Recreation fees	77,900	77,900	75,711	(2,189)
Park fees	18,000	18,000	21,664	3,664
Cemetery charges	15,600	15,600	16,762	1,162
Other	250	250	1,120	870
Total charges for services	370,900	370,900	388,580	17,680
Fines and forfeitures:				
Parking tickets	1,500	1,500	1,005	(495)
District court fees	8,500	8,500	8,156	(344)
Total fines and forfeitures	10,000	10,000	9,161	(839)
Interest	35,000	35,000	65,902	30,902
Other	2,800	2,800	7,683	4,883
Total revenues	2,188,097	2,188,097	2,276,712	88,615
EXPENDITURES				
Legislative	22,979	22,979	18,900	4,079
General government:				
Supervisor	109,648	112,005	110,100	1,905
Elections	2,500	2,500	7,497	(4,997)

Charter Township of Comstock
BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)
Year ended December 31, 2007

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
EXPENDITURES (Continued)				
General government (continued):				
Assessor	\$ 77,348	\$ 81,548	\$ 76,700	\$ 4,848
Clerk	107,411	100,854	96,056	4,798
Board of Review	3,885	3,885	3,208	677
Treasurer	88,496	88,496	69,579	18,917
Computer operations	42,500	42,500	20,869	21,631
Building and grounds	128,267	158,599	125,032	33,567
Cemetery	29,500	29,500	25,977	3,523
Other	<u>371,652</u>	<u>371,652</u>	<u>411,521</u>	<u>(39,869)</u>
Total general government	<u>961,207</u>	<u>991,539</u>	<u>946,539</u>	<u>45,000</u>
Public safety:				
Police contract	428,071	428,071	428,071	-
Ordinance enforcement	<u>46,428</u>	<u>46,428</u>	<u>44,141</u>	<u>2,287</u>
Total public safety	<u>474,499</u>	<u>474,499</u>	<u>472,212</u>	<u>2,287</u>
Public works:				
Highways and streets	110,000	110,000	105,785	4,215
Drains	<u>1,335</u>	<u>1,335</u>	<u>-</u>	<u>1,335</u>
Total public works	<u>111,335</u>	<u>111,335</u>	<u>105,785</u>	<u>5,550</u>
Community and economic development - planning				
	<u>84,398</u>	<u>84,398</u>	<u>48,751</u>	<u>35,647</u>
Health and welfare:				
Solid waste compactor	96,685	96,685	91,205	5,480
Community center	<u>235,000</u>	<u>235,000</u>	<u>231,175</u>	<u>3,825</u>
Total health and welfare	<u>331,685</u>	<u>331,685</u>	<u>322,380</u>	<u>9,305</u>
Culture and recreation - parks and recreation	<u>179,999</u>	<u>179,999</u>	<u>175,194</u>	<u>4,805</u>
Capital outlay	<u>21,000</u>	<u>45,941</u>	<u>20,783</u>	<u>25,158</u>
Total expenditures	<u>2,187,102</u>	<u>2,242,375</u>	<u>2,110,544</u>	<u>131,831</u>

Charter Township of Comstock

BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)

Year ended December 31, 2007

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 995</u>	<u>\$ (54,278)</u>	<u>\$ 166,168</u>	<u>\$ 220,446</u>
OTHER FINANCING USES				
Transfer to Library Fund	-	(30,332)	(30,332)	-
Transfer to Street Lighting Fund	-	-	(10,000)	(10,000)
Total other financing uses	<u>-</u>	<u>(30,332)</u>	<u>(40,332)</u>	<u>(10,000)</u>
NET CHANGES IN FUND BALANCES	<u>995</u>	<u>(84,610)</u>	<u>125,836</u>	<u>210,446</u>
FUND BALANCES - BEGINNING	<u>565,051</u>	<u>565,051</u>	<u>565,051</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 566,046</u>	<u>\$ 480,441</u>	<u>\$ 690,887</u>	<u>\$ 210,446</u>

Charter Township of Comstock

BUDGETARY COMPARISON SCHEDULE - Fire Operating Fund

Year ended December 31, 2007

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Federal grants	\$ -	\$ -	\$ 85,190	\$ 85,190
Interest and rentals	15,000	15,000	36,200	21,200
Other	1,066,000	1,066,000	1,056,107	(9,893)
Total revenues	<u>1,081,000</u>	<u>1,081,000</u>	<u>1,177,497</u>	<u>96,497</u>
EXPENDITURES				
Public safety	1,011,528	1,022,628	991,828	30,800
Capital outlay	50,500	48,800	176,774	(127,974)
Total expenditures	<u>1,062,028</u>	<u>1,071,428</u>	<u>1,168,602</u>	<u>(97,174)</u>
NET CHANGES IN FUND BALANCES	18,972	9,572	8,895	(677)
FUND BALANCES - BEGINNING	<u>290,940</u>	<u>290,940</u>	<u>290,940</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 309,912</u>	<u>\$ 300,512</u>	<u>\$ 299,835</u>	<u>\$ (677)</u>

Charter Township of Comstock

BUDGETARY COMPARISON SCHEDULE - Fire Capital Fund

Year ended December 31, 2007

	<i>Original budget</i>	<i>Amended budget</i>	<i>Actual</i>	<i>Variance favorable (unfavorable)</i>
REVENUES				
Interest	\$ 2,000	\$ 2,000	\$ 54,821	\$ 52,821
Other	<u>208,000</u>	<u>208,000</u>	<u>211,201</u>	<u>3,201</u>
Total revenues	<u>210,000</u>	<u>210,000</u>	<u>266,022</u>	<u>56,022</u>
EXPENDITURES				
Public safety	-	-	600	(600)
Capital outlay	<u>-</u>	<u>-</u>	<u>19,931</u>	<u>(19,931)</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>20,531</u>	<u>(20,531)</u>
NET CHANGES IN FUND BALANCES	210,000	210,000	245,491	35,491
FUND BALANCES - BEGINNING	<u>712,226</u>	<u>712,226</u>	<u>712,226</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 922,226</u>	<u>\$ 922,226</u>	<u>\$ 957,717</u>	<u>\$ 35,491</u>

Charter Township of Comstock
BUDGETARY COMPARISON SCHEDULE - Library Fund
Year ended December 31, 2007

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Taxes - property	\$ 675,000	\$ 675,000	\$ 689,490	\$ 14,490
State grants:				
State aid	7,500	7,500	10,949	3,449
State shared revenue	16,000	16,000	19,534	3,534
Total state grants	23,500	23,500	30,483	6,983
Charges for services	3,635	3,635	4,043	408
Fines and forfeitures:				
County shared penal fines	25,000	25,000	35,789	10,789
Book fines	4,500	4,500	8,897	4,397
Total fines and forfeitures	29,500	29,500	44,686	15,186
Interest and rentals	15,000	15,000	41,401	26,401
Other	200	200	13,447	13,247
Total revenues	746,835	746,835	823,550	76,715
EXPENDITURES:				
Legislative	12,995	8,995	4,979	4,016
Culture and recreation:				
Administrative	154,675	159,175	157,968	1,207
Adult services	160,585	169,585	154,819	14,766
Books and materials	150,000	150,000	130,198	19,802
Clerical	143,950	145,450	128,896	16,554
Building operations and maintenance	82,630	99,962	80,948	19,014
Equipment maintenance	11,000	13,000	9,774	3,226
Total culture and recreation	702,840	737,172	662,603	74,569
Capital outlay	31,000	31,000	13,790	17,210
Total expenditures	746,835	777,167	681,372	95,795

Charter Township of Comstock

BUDGETARY COMPARISON SCHEDULE - Library Fund (Continued)

Year ended December 31, 2007

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
EXCESS OF REVENUES OVER EXPENDITURES	\$ -	\$ (30,332)	\$ 142,178	\$ 172,510
OTHER FINANCING SOURCES				
Transfer from General Fund	-	30,332	30,332	-
NET CHANGES IN FUND BALANCES	-	-	172,510	172,510
FUND BALANCES - BEGINNING	<u>533,742</u>	<u>533,742</u>	<u>533,742</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 533,742</u>	<u>\$ 533,742</u>	<u>\$ 706,252</u>	<u>\$ 172,510</u>

Charter Township of Comstock

BUDGETARY COMPARISON SCHEDULE - Sewer and Water Improvement Fund

Year ended December 31, 2007

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Charges for services	\$ 178,000	\$ 178,000	\$ 199,742	\$ 21,742
Interest	24,000	24,000	102,502	78,502
Other	85,000	85,000	85,819	819
Total revenues	<u>287,000</u>	<u>287,000</u>	<u>388,063</u>	<u>101,063</u>
EXPENDITURES:				
Public works:				
Construction	60,500	60,500	67,308	(6,808)
Other	200,000	200,000	167,344	32,656
Total public works	<u>260,500</u>	<u>260,500</u>	<u>234,652</u>	<u>25,848</u>
EXCESS OF REVENUES OVER EXPENDITURES	26,500	26,500	153,411	126,911
OTHER FINANCING USES				
Transfer to 1993 Sewer Bond Fund	-	-	(51,856)	(51,856)
NET CHANGES IN FUND BALANCES	26,500	26,500	101,555	75,055
FUND BALANCES - BEGINNING	<u>1,285,843</u>	<u>1,285,843</u>	<u>1,285,843</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 1,312,343</u>	<u>\$ 1,312,343</u>	<u>\$ 1,387,398</u>	<u>\$ 75,055</u>

SUPPLEMENTARY INFORMATION

Charter Township of Comstock
COMBINING BALANCE SHEET - nonmajor governmental funds
 December 31, 2007

	<u>Special revenue funds</u>		<u>Debt service funds</u>		
	<u>Street Lighting</u>	<u>Elderly and Low Income</u>	<u>1993 Sewer Bond</u>	<u>1996 Sewer Bond</u>	<u>Totals</u>
ASSETS					
Cash and cash equivalents	\$ 93,990	\$ 15,508	\$ 6,394	\$ 355,584	\$ 471,476
Receivables, net	<u>92,730</u>	<u>-</u>	<u>127,597</u>	<u>333,861</u>	<u>554,188</u>
Total assets	<u>\$ 186,720</u>	<u>\$ 15,508</u>	<u>\$ 133,991</u>	<u>\$ 689,445</u>	<u>\$ 1,025,664</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Deferred revenue	<u>\$ 185,201</u>	<u>\$ -</u>	<u>\$ 123,695</u>	<u>\$ 323,910</u>	<u>\$ 632,806</u>
Fund balances - unreserved, undesignated	<u>1,519</u>	<u>15,508</u>	<u>10,296</u>	<u>365,535</u>	<u>392,858</u>
Total liabilities and fund balances	<u>\$ 186,720</u>	<u>\$ 15,508</u>	<u>\$ 133,991</u>	<u>\$ 689,445</u>	<u>\$ 1,025,664</u>

Charter Township of Comstock

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - *nonmajor governmental funds*

Year ended December 31, 2007

	<u>Special revenue funds</u>		<u>Debt service funds</u>		
	<u>Street Lighting</u>	<u>Elderly and Low Income</u>	<u>1993 Sewer Bond</u>	<u>1996 Sewer Bond</u>	<u>Totals</u>
REVENUES					
Interest	\$ -	\$ -	\$ 9,191	\$ 39,085	\$ 48,276
Other	<u>161,565</u>	<u>-</u>	<u>37,454</u>	<u>65,629</u>	<u>264,648</u>
Total revenues	<u>161,565</u>	<u>-</u>	<u>46,645</u>	<u>104,714</u>	<u>312,924</u>
EXPENDITURES					
Public works	183,120	-	2,200	2,200	187,520
Debt service:					
Principal	-	-	165,000	100,000	265,000
Interest	<u>-</u>	<u>-</u>	<u>34,606</u>	<u>54,775</u>	<u>89,381</u>
Total expenditures	<u>183,120</u>	<u>-</u>	<u>201,806</u>	<u>156,975</u>	<u>541,901</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	(21,555)	-	(155,161)	(52,261)	(228,977)
OTHER FINANCING SOURCES					
Transfer in	<u>10,000</u>	<u>-</u>	<u>51,856</u>	<u>-</u>	<u>61,856</u>
NET CHANGES IN FUND BALANCES	(11,555)	-	(103,305)	(52,261)	(167,121)
FUND BALANCES - BEGINNING	<u>13,074</u>	<u>15,508</u>	<u>113,601</u>	<u>417,796</u>	<u>559,979</u>
FUND BALANCES - ENDING	<u>\$ 1,519</u>	<u>\$ 15,508</u>	<u>\$ 10,296</u>	<u>\$ 365,535</u>	<u>\$ 392,858</u>

April 18, 2008

To the Board of Trustees
Charter Township of Comstock

We have audited the financial statements of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Charter Township of Comstock for the year ended December 31, 2007, and have issued our report thereon dated April 18, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated November 27, 2007, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Charter Township of Comstock are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2007. We noted no transactions entered into by Charter Township of Comstock during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was capital asset depreciation.

Management's estimate of the capital asset depreciation is based on the estimated useful lives of the Township's capital assets. We evaluated the key factors and assumptions used to develop the capital asset depreciation in determining that it is reasonable in relation to the financial statements taken as a whole.



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The disclosures in the financial statements are neutral, consistent, and clear.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. Management has recorded all of our proposed audit adjustments.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter associated with the audits for the year ended December 31, 2007.

Other Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Charter Township of Comstock's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Communication Regarding Internal Control

In planning and performing our audit of the financial statements of the Charter Township of Comstock as of and for the year ended December 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the Charter Township of Comstock's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Our consideration of internal control included procedures to evaluate the design of controls relevant to an audit of financial statements and to determine whether they have been implemented, but it did not include procedures to test the operating effectiveness of controls, and accordingly, was not directed to discovering significant deficiencies in internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control that we consider to be a material weakness.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

The Township has not implemented a system of controls to prepare financial statements in accordance with U.S. generally accepted accounting principles, including procedures to achieve the objectives of recording revenue and expense accruals, the capitalization and depreciation of capital assets, and the presentation of financial statement disclosures. This is a recurring comment. The Township has determined that the additional benefits derived from implementing such a system would not outweigh the costs incurred to do so.

This communication is intended solely for the information and use of the Board of Trustees of the Charter Township of Comstock and the State of Michigan Department of Treasury and is not intended to be and should not be used by anyone other than these specified parties.

Sigfried Crandall P.C.